
FEDERAL DEPOSIT INSURANCE CORPORATION

Executive Management Report

Unaudited

Financial Results

For the Year Ending December 31, 1997



Division of Finance

Financial Highlights

For the Twelve Months Ending December 31, 1997

Bank Insurance Fund (BIF):

- ▶ Net income was \$1,439 million for the year ending December 31, 1997, raising the fund balance to \$28.3 billion.
- ▶ Revenue totaled \$1,616 million for the year ending December 31, 1997. The fund earned \$1,519 million in interest on investments in U.S. Treasury securities and earned \$25 million in deposit insurance assessments.
- ▶ Provision for insurance losses is a negative \$504 million for the period, primarily reflecting decreased losses expected for assets in liquidation.
- ▶ The liability for anticipated failures of insured BIF institutions fell to \$11 million from \$75 million one year earlier, reflecting the continued improvement in the condition of the banking industry.
- ▶ While total BIF expenses (fund level and receivership) decreased by \$78 million for the year ending December 31, 1997, compared to the same period last year, the BIF expenses at the fund level increased by \$100 million. This is because BIF receiverships incurred fewer expenses as liquidation activity declined and receiverships aged. At the same time, expenses associated with the primary purpose of the BIF, to insure deposits and to protect depositors of BIF-insured banks, increased.

Savings Association Insurance Fund (SAIF):

- ▶ Net income was \$480 million for the year ending December 31, 1997, increasing the fund balance to \$9.4 billion. Net income decreased by \$5,050 million compared to the same period in 1996, due primarily to a reduction in assessment revenue.
- ▶ Revenue totaled \$550 million for the year ending December 31, 1997, compared to \$5,501 million for the year-earlier period. An increase in interest income of \$281 million was more than offset by the decline of \$5,207 million in assessment revenue.
- ▶ Net assessment revenue through December 1997 totaled \$14 million compared to \$5,221 million for the same period last year. Assessment revenues, which averaged almost \$1 billion from 1993 through 1995, are relatively low for the year ending December 31, 1997. This reduction in assessment revenue was caused by significant rate reductions after the capitalization of the SAIF in October 1996.
- ▶ The estimated liability for anticipated failures of insured SAIF institutions as of December 31, 1997, decreased to zero from \$4 million at December 31, 1996, as the result of continued improvement in the financial condition of the thrift industry.

FSLIC Resolution Fund (FRF):

~FRF-FSLIC~

- ▶ Net receivables from thrift resolutions were \$103 million for December 1997, compared to \$873 million for December 1996, as assets of the former FSLIC continue to be liquidated.

- ▶ Net cash provided by operating activities increased by \$614 million over the same period last year, due primarily to \$651.7 million received in January 1997 from the sale of common stock. The FRF had received the stock pursuant to a conversion, in December 1996, of warrants originally acquired from a 1987 assistance transaction.
- ▶ The accumulated deficit declined by \$298 million over the past year, as total resolution equity increased to \$1,962 million as of December 31, 1997.
- ▶ The FRF-FSLIC paid a \$26.6 million judgment, plus \$7.2 million in post-judgment interest, on September 19, 1997. The lawsuit had originally been brought against the Federal Home Loan Bank Board in connection with the 1987 recapitalization of Far West Federal Bank. A \$27 million provision for loss had previously been recorded for this litigation.

~FRF-RTC~

- ▶ The FRF-RTC earned \$300 million in interest income during 1997 on the securitization credit enhancement reserves that were transferred to the Corporation as a non-cash dividend from receiverships in October 1996.
- ▶ Assets in liquidation totaled \$2.2 billion as of December 31, 1997, down by \$2.2 billion over the last 12 months.
- ▶ Federal Financing Bank (FFB) borrowings including accrued interest were reduced by \$3.8 billion to \$0.8 billion during the year ending December 31, 1997.
- ▶ Provision for losses is a negative \$1,512 million for the period, primarily reflecting decreased losses expected for assets in liquidation.
- ▶ The accumulated deficit declined by \$1,648 million over the past year, as total resolution equity increased to \$6,559 million as of December 31, 1997.

Bank and Thrift Failure Activity:

- ▶ Southwest Bank of Jennings, Louisiana failed on November 21, 1997; this was the only bank to fail during 1997. Southwest Bank had total assets of \$26 million. During 1996, five BIF-insured banks with assets of \$183 million failed.
- ▶ No SAIF-insured institutions failed during 1997. During 1996, one SAIF-insured institution with total assets of \$35 million failed.

Other Significant Highlights:

- ▶ Historically, FDIC has purchased securities with the intention of holding them to maturity. During the fourth quarter of 1997, the Corporation, on behalf of the BIF and SAIF, purchased \$490 million and \$150 million of securities, respectively, and designated them as *available for sale* to enhance the funds' liquidity position. This designation is consistent with the applicable accounting standard, which requires these types of securities to be recorded at fair market value. As of December 31, 1997, the BIF and SAIF have recorded unrealized losses of \$124,611 and \$31,674, respectively.

Statistical Highlights

(Dollars in Millions)

Fund Results	Bank Insurance Fund (Unaudited)		Savings Association Insurance Fund (Unaudited)	
	YTD	YTD	YTD	YTD
	12/31/97	12/31/96	12/31/97	12/31/96
Revenue	\$1,616	\$1,656	\$550	\$5,501
Operating Expenses	\$605	\$505	\$72	\$63
Insurance Losses/Expenses	(\$428)	(\$250)	(\$2)	(\$92)
Net Income	\$1,439	\$1,401	\$480	\$5,530
Fund Balance	\$28,293	\$26,854	\$9,368	\$8,888

Selected Statistics (a)

Total Insured Institutions	9,511 (b)	9,854 (c)	1,546 (b)	1,630 (c)
Institution Failures for Current Year	1	5	0	1
Total Assets of Current Year Failures	\$26	\$183	\$0	\$35
Total Estimated Losses of				
Current Year Failures	\$4	\$43	\$0	\$15
Receivership/Corporate Owned				
Assets in Liquidation	\$1,729	\$3,817	\$17	\$36

(a) The following figures are not examined during the financial statement audits.

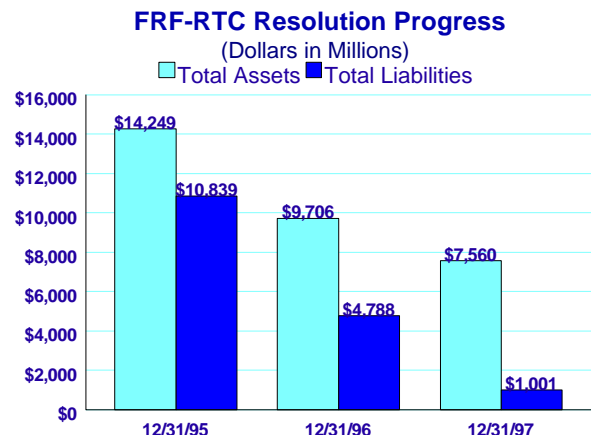
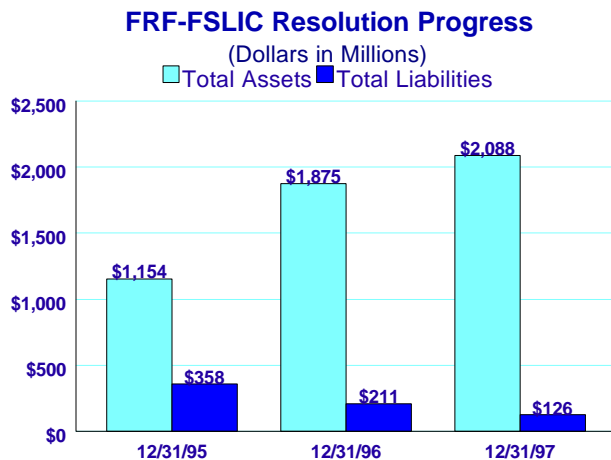
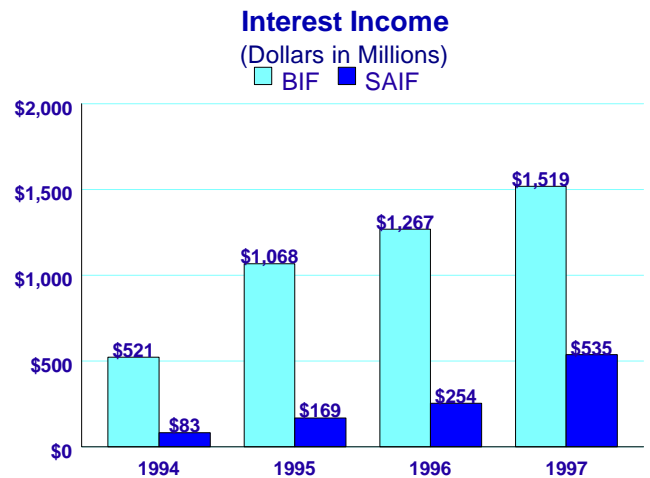
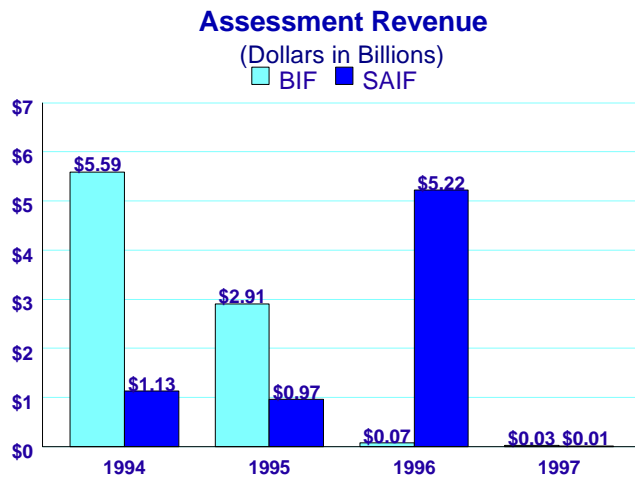
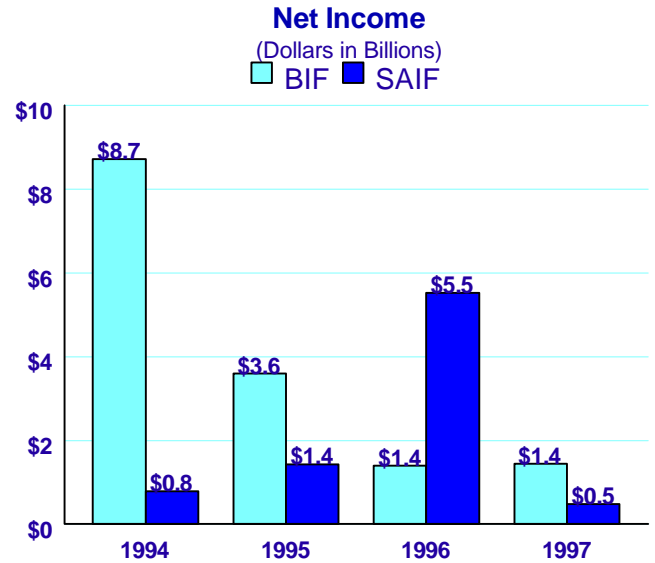
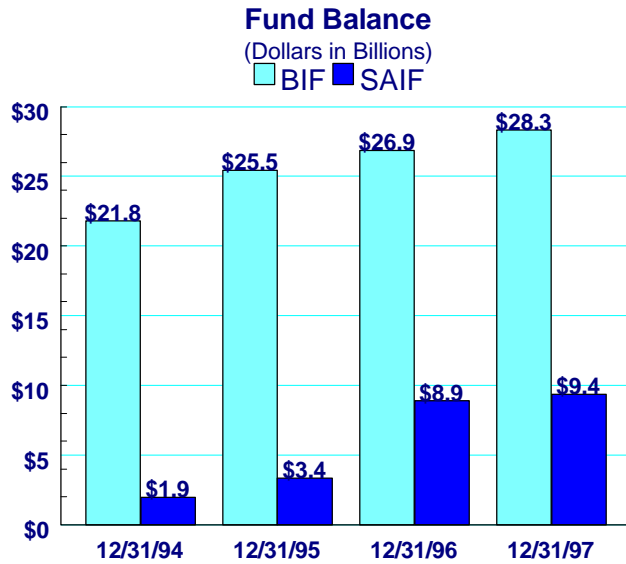
(b) Source: 9/30/97 FDIC Quarterly Banking Profile (latest available). BIF figure includes 30 U.S. branches of foreign banks.

(c) Source: 12/31/96 FDIC Quarterly Banking Profile. BIF figure includes 32 U.S. branches of foreign banks.

	FRF - FSLIC		FRF - RTC		FRF - Consolidated	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	YTD	YTD	YTD	YTD	YTD	YTD
	12/31/97	12/31/96	12/31/97	12/31/96	12/31/97	12/31/96
<u>Cash Flows</u>						
<i>Cash Flows from Operating Activities:</i>						
Cash Provided by Operating Activities	\$1,280	\$777	\$4,295	\$6,119	\$5,575	\$6,896
Cash Used for Operating Activities	(\$107)	(\$217)	(\$706)	(\$1,141)	(\$813)	(\$1,358)
Net Cash Provided by/(Used for) Operating Activities	\$1,174	\$560	\$3,589	\$4,978	\$4,763	\$5,538
<i>Cash Flows from Financing Activities:</i>						
U.S. Treasury Payments	\$0	\$0	(\$8)	\$0	(\$8)	\$0
Repayments of Federal Financing Bank Borrowings	\$0	\$0	(\$3,719)	(\$5,914)	(\$3,719)	(\$5,914)
Payments of Indebtedness Incurred from Thrift Resolution	(\$32)	(\$32)	\$0	\$0	(\$32)	(\$32)
Net Increase/(Decrease) in Cash	\$1,142	\$528	(\$138)	(\$936)	\$1,004	(\$408)
<u>Selected Statistics</u>						
Resolution Equity	\$1,962	\$1,664	\$6,559	\$4,918	\$8,521	\$6,582
Number of Active Receiverships	29	33	399	435	428	468
Number of Other Liquidating Entities	57	57	18	18	75	75
Receivership/Corporate Owned Assets in Liquidation	\$169	\$476	\$2,200	\$4,382	\$2,369	\$4,858
Covered/Partnership Assets	\$0	\$14	\$0	\$0	\$0	\$14
Federal Financing Bank Borrowings	\$0	\$0	\$849	\$4,617	\$849	\$4,617

Fund Operations

Financial Results

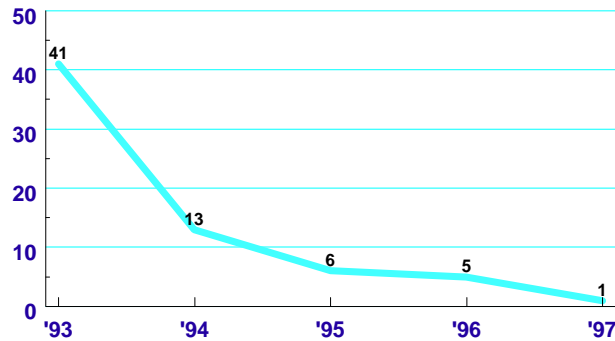


For BIF and SAIF, results for the year ending December 31, 1997 are unaudited. For FRF-FSLIC and FRF-RTC, results for the years ending December 31, 1997 and 1996 are unaudited.

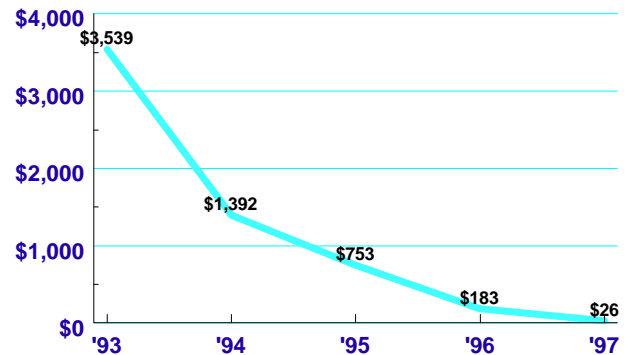
Insurance Activity

Through December 1997

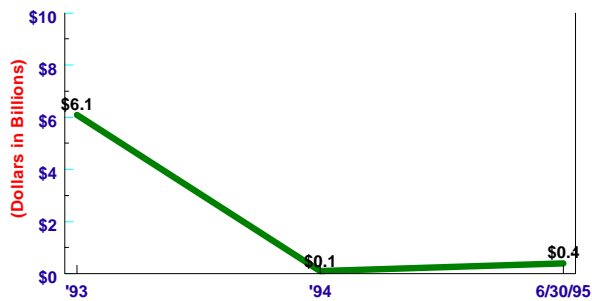
Number of Closed and Assisted BIF-Member Institutions



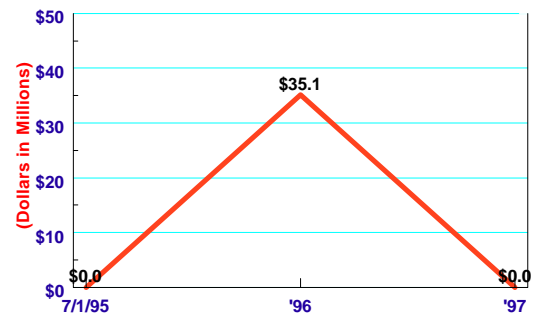
Assets of Closed and Assisted BIF-Member Institutions
at Date of Closing or Assistance
(Dollars in Millions)



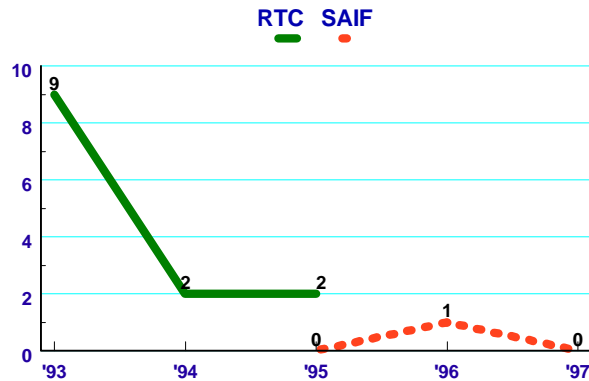
RTC: Assets of Failed Thrifts *
at Date of Failure (Takeover Date)
RTC



SAIF: Assets of Failed Thrifts *
at Date of Failure
SAIF



Number of Thrift Failures *



*The SAIF assumed responsibility for thrift-member institutions from the RTC on July 1, 1995.

Federal Deposit Insurance Corporation

Statements of Income and Fund Balance

(Dollars in Millions)

	B I F		S A I F	
	Quarter Ending December 31		Quarter Ending December 31	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	1997	1996	1997	1996
<u>Revenue</u>				
Assessments	\$ 5	\$ 19	\$ 0	\$ 4,493
Interest on U.S. Treasury investments	408	329	138	86
Revenue from assets acquired from assisted institutions and terminated receiverships	6	14	0	0
Other revenue	15	216	0	24
Total Revenue	434	578	138	4,603
<u>Expenses and Losses</u>				
Operating expenses	191	164	22	19
<i>Insurance Losses/Expenses:</i>				
Provision for insurance losses	(107)	(349)	1	(77)
Expenses from assets acquired from assisted institutions and terminated receiverships	23	15	0	0
Interest and other insurance expenses	1	0	0	0
Subtotal Insurance Losses/Expenses	(83)	(334)	1	(77)
Total Expenses and Losses	108	(170)	23	(58)
Net Income	326	748	115	4,661
Fund Balance - Beginning	27,967	26,106	9,253	4,227
Fund Balance - Ending	\$ 28,293	\$ 26,854	\$ 9,368	\$ 8,888

	B I F		S A I F	
	Y-T-D December		Y-T-D December	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	1997	1996	1997	1996
<u>Revenue</u>				
Assessments	\$ 25	\$ 73	\$ 14	\$ 5,221
Interest on U.S. Treasury investments	1,519	1,267	535	254
Revenue from assets acquired from assisted institutions and terminated receiverships	38	70	0	0
Other revenue	34	246	1	26
Total Revenue	1,616	1,656	550	5,501
<u>Expenses and Losses</u>				
Operating expenses	605	505	72	63
<i>Insurance Losses/Expenses:</i>				
Provision for insurance losses	(504)	(325)	(2)	(92)
Expenses from assets acquired from assisted institutions and terminated receiverships	74	74	0	0
Interest and other insurance expenses	2	1	0	0
Subtotal Insurance Losses/Expenses	(428)	(250)	(2)	(92)
Total Expenses and Losses	177	255	70	(29)
Net Income	1,439	1,401	480	5,530
Fund Balance - Beginning	26,854	25,453	8,888	3,358
Fund Balance - Ending	\$ 28,293	\$ 26,854	\$ 9,368	\$ 8,888

Federal Deposit Insurance Corporation

Statements of Financial Position

(Dollars in Millions)

	B I F December 31 (Unaudited)		S A I F December 31 (Unaudited)	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
<u>Assets</u>				
Cash and cash equivalents - available	\$ 219	\$ 258	\$ 141	\$ 357
Investment in U.S. Treasury obligations, net	26,599	22,083	9,106	8,574
Receivables from resolutions, net	1,109	4,341	5	19
Assets acquired from assisted institutions and terminated receiverships, net	61	74	0	0
<i>Cash and Investments (Restricted):</i>				
Exit fees	0	0	240	228
Property and buildings, net	145	149	0	0
Interest receivable on investments and other assets	473	385	123	121
Total assets	\$ 28,606	\$ 27,290	\$ 9,615	\$ 9,299
<u>Liabilities and the Fund Balance</u>				
Accounts payable and other liabilities	\$ 229	\$ 251	\$ 7	\$ 179
<i>Estimated liabilities for:</i>				
Anticipated failure of insured institutions	11	75	0	4
Assistance agreements	32	51	0	0
Asset securitization guarantee	13	15	0	0
Litigation losses	28	44	0	0
Total Liabilities	\$ 313	\$ 436	\$ 7	\$ 183
<i>Funds Held in Escrow:</i>				
SAIF-member exit fees and investment proceeds held in escrow	0	0	240	228
Total Funds Held in Escrow:	0	0	240	228
Fund Balance	28,293	26,854	9,368	8,888
Total Liabilities and the Fund Balance	\$ 28,606	\$ 27,290	\$ 9,615	\$ 9,299

Federal Deposit Insurance Corporation

Financial Statements for FRF - FSLIC

(Dollars in Millions)

STATEMENTS OF FINANCIAL POSITION		
	December 31 1997 (Unaudited)	December 31 1996 (Unaudited)
<u>Assets</u>		
Cash and cash equivalents	\$ 1,945	\$ 803
Receivables from thrift resolutions, net	103	873
Assets acquired from assisted thrifts and terminated receiverships, net	35	184
Other assets, net	5	15
Total Assets	\$ 2,088	\$ 1,875
<u>Liabilities and Resolution Equity</u>		
<u>Liabilities</u>		
Accounts payable and other liabilities	\$ 21	\$ 31
Liabilities incurred from thrift resolutions	99	137
<i>Estimated Liabilities for:</i>		
Assistance agreements	6	16
Litigation losses	0	27
Total Liabilities	126	211
<u>Resolution Equity</u>		
Contributed capital	44,156	44,156
Accumulated deficit	(42,194)	(42,492)
Total Resolution Equity	1,962	1,664
Total Liabilities and Resolution Equity	\$ 2,088	\$ 1,875

STATEMENTS OF INCOME AND ACCUMULATED DEFICIT		
	Year to Date December 31 1997 (Unaudited)	Year to Date December 31 1996 (Unaudited)
<u>Revenue</u>		
Interest on U.S. Treasury obligations	\$ 87	\$ 26
Revenue from assets acquired from assisted thrifts and terminated receiverships	53	106
Limited partnership	17	55
Interest on advances and other revenue	2	17
Total Revenue	159	204
<u>Expenses and Losses</u>		
Operating expenses	3	7
Expenses from assets acquired from assisted thrifts and terminated receiverships	47	60
Provision for losses	(233)	(742)
Interest and other insurance expenses	44	11
Total Expenses and Losses	(139)	(664)
Net Income	298	868
Accumulated Deficit - Beginning	(42,492)	(43,360)
Accumulated Deficit - Ending	\$ (42,194)	\$ (42,492)

Federal Deposit Insurance Corporation

Financial Statements for FRF - RTC

(Dollars in Millions)

STATEMENTS OF FINANCIAL POSITION		
	December 31 1997 (Unaudited)	December 31 1996 (Unaudited)
<u>Assets</u>		
Cash	\$ 162	\$ 300
Receivables from thrift resolutions, net	2,467	3,582
Securitization Reserve Fund	4,890	5,804
Assets acquired from assisted thrifts and terminated receiverships, net	38	19
Other assets	3	1
Total Assets	\$ 7,560	\$ 9,706
<u>Liabilities and Resolution Equity</u>		
<u>Liabilities</u>		
Accounts payable and other liabilities	\$ 125	\$ 96
Notes payable - Federal Financing Bank borrowings	849	4,617
Liabilities incurred from thrift resolutions	6	6
<i>Estimated Liabilities for:</i>		
Assistance agreements	0	0
Litigation losses	3	12
Representations and warranties	18	57
Total Liabilities	1,001	4,788
<u>Resolution Equity</u>		
Contributed capital	91,338	91,345
Accumulated deficit	(84,779)	(86,427)
Total Resolution Equity	6,559	4,918
Total Liabilities and Resolution Equity	\$ 7,560	\$ 9,706

STATEMENTS OF INCOME AND ACCUMULATED DEFICIT		
	Year to Date December 31 1997 (Unaudited)	Year to Date December 31 1996 (Unaudited)
<u>Revenue</u>		
Interest on Securitization Reserve Fund	\$ 300	\$ 82
Revenue from assets acquired from assisted thrifts and terminated receiverships	21	123
Interest on advances and other revenue	(25)	110
Total Revenue	296	315
<u>Expenses and Losses</u>		
Operating expenses	14	18
Interest expense	124	378
Expenses from assets acquired from assisted thrifts and terminated receiverships	22	69
Provision for losses	(1,512)	(1,658)
Total Expenses and Losses	(1,352)	(1,193)
Net Income (Loss)	1,648	1,508
Accumulated Deficit - Beginning	(86,427)	(87,935)
Accumulated Deficit - Ending	\$ (84,779)	\$ (86,427)

Federal Deposit Insurance Corporation

Financial Statements for FRF - Consolidated

(Dollars in Millions)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION		
	December 31 1997 (Unaudited)	December 31 1996
<u>Assets</u>		
Cash and cash equivalents	\$ 2,107	\$ 1,103
Receivables from thrift resolutions, net	2,570	4,455
Securitization Reserve Fund	4,890	5,804
Assets acquired from assisted thrifts and terminated receiverships, net	73	203
Other assets, net	8	7
Total Assets	\$ 9,648	\$ 11,572
<u>Liabilities and Resolution Equity</u>		
<u>Liabilities</u>		
Accounts payable and other liabilities	\$ 146	117
Notes payable - Federal Financing Bank borrowings	849	4,617
Liabilities incurred from thrift resolutions	105	144
<i>Estimated Liabilities for:</i>		
Assistance agreements	6	16
Litigation losses	3	39
Representations and warranties	18	57
Total Liabilities	1,127	4,990
<u>Resolution Equity</u>		
Contributed capital	135,494	135,501
Accumulated deficit	(126,973)	(128,919)
Total Resolution Equity	8,521	6,582
Total Liabilities and Resolution Equity	\$ 9,648	11,572

CONSOLIDATED STATEMENTS OF INCOME AND ACCUMULATED DEFICIT		
	Year to Date December 31 1997 (Unaudited)	Year to Date December 31 1996
<u>Revenue</u>		
Interest on Securitization Reserve Fund	\$ 300	\$ 82
Interest on U.S. Treasury obligations	87	26
Revenue from assets acquired from assisted thrifts and terminated receiverships	74	229
Limited partnership	17	55
Interest on advances and other revenue	(23)	127
Total Revenue	455	519
<u>Expenses and Losses</u>		
Operating expenses	17	25
Expenses from assets acquired from assisted thrifts and terminated receiverships	69	129
Provision for losses	(1,745)	(2,400)
Interest and other insurance expenses	168	389
Total Expenses and Losses	(1,491)	(1,857)
Net Income	1,946	2,376
Accumulated Deficit - Beginning	(128,919)	(131,295)
Accumulated Deficit - Ending	\$ (126,973)	\$ (128,919)